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July 23, 2002

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Mass. 02110

RE: D.T.E. 01-81, Bay State Gas Co. proposed Gas Cost Incentive Mechanism (GCIM)

Dear Secretary Cottrell:

This is in lieu of a reply brief in the above-captioned case by the weatherization and fuel assistance program network and the Massachusetts Community Action Program Directors Association Inc. (MASSCAP), collectively MASSCAP *et al.*.

The Company concedes in its Initial Brief that its proposed commodity gas purchasing program would be based on exactly the same types of short-term market indices as are relied upon in its current purchasing program. Thus, as gas commodity prices fluctuate – in a pattern that the Company concedes has become more volatile – the only relief the Company proposes for customers is slight reductions in what would remain as sometimes violently fluctuating market prices. (Company Initial Brief at 4-5.) One has only to recall the winter before last, when wellhead prices hit \$8, to understand the seriousness of the gas price volatility problem unaddressed by the Company's proposal.

The Company has proposed in this proceeding to make it impossible to judge its gas commodity purchasing performance with respect to anything but volatile price indices. Its prices can remain as violently volatile as they were during the winter of 2000-2001 and nevertheless be regarded as warranting a GCIM reward to the Company as long as the prices are slightly below the market's volatile prices. Furthermore, the Company proposes to lock in price volatility in this way at exactly the time the Department is considering whether gas price volatility itself should be addressed and mitigated. D.T.E. 01-100.

The Company's proposal is thus in conflict with the Department's investigation of Volatility Mitigation, D.T.E. 01-100, and should be dismissed or held in abeyance until resolution of the issues in D.T.E. 01-100.

MASSCAP *et al.*, by their attorney,

Jerrold Oppenheim

cc: Michael Killion, Esq., Hearing Officer

DTE E-filing

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